

1937-A (Rev. 7-8-80)

(Carbon Attached Version of Form 1937)

U.S. GOVERNMENT PRINTING OFFICE - 3956M 886 J21-539

[Redacted]

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DEC 08 1981

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted indicates that you were formed [Redacted], for the purpose of providing a retirement club for employees of [Redacted]. You indicate that you do not have a Trust Agreement, Articles of Association or Constitution. Your sole organizational document appears to be a document called Rules.

Your Rules indicate that your members pay \$ [Redacted] per month. The retirement fund is for retirees and does not include babies, weddings, deaths, etc. Everyone contributes, including those next to retire. Apparently before a member is entitled to benefits, they must have completed [Redacted] years in service of [Redacted] (except charter members). When an employee's retirement is official, a letter is sent out notifying the rest of the Company for a contribution from whoever wishes to attend. Any member who leaves [Redacted] forfeits his membership in the fund and refund back to last retirement. Employees of [Redacted] that are located in another town are entitled to join. Only nonmembers entitled to attend functions are families of the retiree. Refreshments are funded through the retirement funds back-up money. The back-up fund is limited to \$ [Redacted] and a retiree gift is \$ [Redacted]. New employees are given the chance to join the club within one year's grace period. If any member decides to drop out of the club, he cannot rejoin. Any left over money contributed from outside will be put into the retirement fund.

Section 501(c)(7) of the Internal Revenue Code provides exemption for:

"Clubs organized for pleasure, recreation and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
		[Redacted]					
Surname		[Redacted]					
Date		12-7-81					

"(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Rev. Rul. 63-190 states that a nonprofit organization (not operated under the lodge system), which maintains a social club for members and also provides sick and death benefits for members and their beneficiaries, does not qualify for exemption from Federal income tax either as a social club under section 501(c)(7), a civic league under section 501(c)(4), or a fraternal beneficiary society under section 501(c)(9) of the Internal Revenue Code. This theory would also include retirement benefits, since the payment of retirement benefits is not a function of a social club.

Rev. Rul. 66-89 states that an organization of employees whose purpose is to pay lump sum retirement benefits to its eligible members or death benefits to their survivors does not qualify for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

Since you do not have any form of organizational documents, and since you are not organized and operated exclusively for social and recreational purposes, we have determined that you do not meet the requirements of Section 501(c)(7) or any other section of the Internal Revenue Code.

Accordingly, it is held that you are not entitled to exemption from Federal income tax under section 501(c)(7) of the Internal Revenue Code, and you are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible. You should also file the enclosed Federal income tax return(s) within 30 days with the Chief, Employee Plans/Exempt Organization Division 1100 Commerce, Dallas, Texas 75242.

Sincerely yours,

District Director

[REDACTED]

Enclosures:
Pub. 802
Form 6018
Form 1120